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# MESSAGE OF THE MAYOR

TRANSMITTING

## R E P O R T

OF THE

# SPECIAL COMMISSION ON TAXATION.



BOSTON:  
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Message of the mayor transmitting report



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OFFICE OF THE MAYOR, April 3, 1891.

*To the Honorable the City Council:—*

GENTLEMEN,—I have the honor to transmit herewith the very able report of the Special Commission on Taxation appointed by my predecessor to examine into the system of taxation in force in this city, and to report whether any system more equitable and advantageous can be devised.

Appended hereto will also be found a table prepared by the Board of Assessors, showing the amount of each species of personal property discovered in 1889,—the only year in which such a table was prepared. The total value of the personal estate thus discovered was \$40,161,500; and the amount reached by the process of dooming (exclusive of bank stock) was \$146,288,500. For this latter amount of course no separation into the different kinds of property is possible.

Respectfully submitted,

N. MATTHEWS, JR.,

*Mayor.*

**ABSTRACT OF RETURNS MADE TO THE ASSESSORS FOR THE YEAR 1889.**

| WARD.   | Western mortgages. | Debts due more than is owed. | Cash on hand and deposits. | Goods, wares, and merchandise. | Machinery, etc. | Tools of trade exceeding \$300. | Income from profession, etc., exceeding \$2,000. | Income from ships, foreign. | Income from annuities. | Vessels except in foreign trade. | Horses and vehicles. | Household furniture exceeding \$1,000. | Shares in foreign corporations. | Railroad and other bonds. |             | Municipal or city bonds. |           | State bonds. |          |
|---------|--------------------|------------------------------|----------------------------|--------------------------------|-----------------|---------------------------------|--------------------------------------------------|-----------------------------|------------------------|----------------------------------|----------------------|----------------------------------------|---------------------------------|---------------------------|-------------|--------------------------|-----------|--------------|----------|
|         |                    |                              |                            |                                |                 |                                 |                                                  |                             |                        |                                  |                      |                                        |                                 | Domestic.                 | Foreign.    | Domestic.                | Foreign.  | Domestic.    | Foreign. |
| 1.....  | \$900              | \$5,700                      | \$4,400                    | \$46,200                       | \$2,400         | .....                           | \$9,200                                          | \$200                       | .....                  | \$600                            | \$3,200              | \$600                                  | \$6,500                         | \$10,130                  | \$1,870     | .....                    | .....     | .....        | .....    |
| 2.....  | 18,000             | .....                        | 3,300                      | 5,500                          | 800             | .....                           | .....                                            | 100                         | .....                  | 300                              | 400                  | .....                                  | .....                           | .....                     | .....       | .....                    | .....     | .....        | .....    |
| 3.....  | 8,500              | 5,400                        | 26,200                     | 12,100                         | 27,300          | .....                           | 9,200                                            | .....                       | .....                  | 2,200                            | 3,600                | 7,000                                  | 16,100                          | 17,550                    | 39,438      | \$12,740                 | .....     | .....        | .....    |
| 4.....  | 11,000             | 1,300                        | 10,100                     | 57,300                         | 9,000           | .....                           | 20,000                                           | .....                       | .....                  | 200                              | 11,600               | 500                                    | 11,700                          | 10,090                    | 30,351      | 18,850                   | .....     | .....        | .....    |
| 5.....  | 2,700              | 70,500                       | 31,900                     | 6,000                          | 100             | .....                           | .....                                            | .....                       | .....                  | .....                            | .....                | 500                                    | 65,200                          | .....                     | 29,910      | .....                    | .....     | .....        | .....    |
| 6.....  | 100,900            | 406,700                      | 449,800                    | 1,327,900                      | 320,400         | .....                           | 1,000                                            | 5,700                       | .....                  | .....                            | 22,800               | .....                                  | 106,800                         | 108,160                   | 156,777     | 9,170                    | .....     | \$11,300     | \$1,330  |
| 7.....  | 41,700             | 661,800                      | 152,500                    | 1,426,800                      | 69,100          | \$500                           | 2,300                                            | .....                       | .....                  | .....                            | 8,100                | 17,000                                 | 29,600                          | 3,340                     | .....       | .....                    | \$6,200   | .....        | .....    |
| 8.....  | 3,500              | 7,500                        | 16,300                     | 19,100                         | 500             | .....                           | 2,300                                            | .....                       | .....                  | .....                            | 3,400                | 4,000                                  | 2,900                           | .....                     | .....       | .....                    | .....     | .....        | .....    |
| 9.....  | 129,200            | 1,000                        | 68,400                     | 36,500                         | 25,500          | .....                           | 33,400                                           | .....                       | \$500                  | 100                              | 6,800                | 20,800                                 | 589,800                         | 7,270                     | 513,922     | 9,540                    | 9,075     | 4,440        | .....    |
| 10..... | 65,000             | 397,400                      | 830,700                    | 6,227,000                      | 128,800         | 500                             | 49,400                                           | 22,000                      | .....                  | .....                            | 74,500               | 28,900                                 | 380,600                         | 59,700                    | 175,700     | 49,240                   | 28,400    | 5,700        | .....    |
| 11..... | 587,800            | 287,000                      | 929,200                    | 374,700                        | 20,400          | .....                           | 443,800                                          | 30,700                      | 4,900                  | .....                            | 72,300               | 250,200                                | 4,464,200                       | 386,490                   | 3,113,375   | 127,818                  | 143,229   | 114,150      | 600      |
| 12..... | 26,400             | 1,197,300                    | 688,100                    | 2,121,700                      | 155,100         | .....                           | 1,500                                            | .....                       | .....                  | .....                            | 7,400                | 9,000                                  | 229,000                         | 187,100                   | 122,100     | 8,700                    | 48,800    | .....        | .....    |
| 13..... | .....              | .....                        | 22,900                     | .....                          | .....           | .....                           | 7,800                                            | .....                       | .....                  | .....                            | 4,400                | 4,100                                  | .....                           | 582,626                   | .....       | .....                    | .....     | .....        | .....    |
| 14..... | 600                | 15,900                       | 9,600                      | 43,000                         | 800             | .....                           | .....                                            | 800                         | .....                  | .....                            | 400                  | .....                                  | 3,500                           | 3,500                     | 62,700      | 24,000                   | 1,000     | .....        | .....    |
| 15..... | .....              | 2,000                        | 17,800                     | 11,030                         | .....           | .....                           | .....                                            | .....                       | .....                  | .....                            | 3,700                | .....                                  | 42,700                          | .....                     | 94,900      | .....                    | .....     | .....        | .....    |
| 16..... | 3,600              | 11,500                       | 156,500                    | 34,900                         | 11,500          | .....                           | 2,700                                            | .....                       | .....                  | .....                            | 10,300               | .....                                  | 1,000                           | .....                     | 700         | .....                    | .....     | .....        | .....    |
| 17..... | 60,800             | 21,300                       | 114,700                    | 164,200                        | 13,900          | .....                           | 19,400                                           | .....                       | .....                  | 9,500                            | 21,000               | 7,600                                  | 115,300                         | 6,800                     | 84,200      | 12,700                   | 45,800    | .....        | .....    |
| 18..... | 65,000             | 89,200                       | 2,600                      | 264,600                        | 40,100          | .....                           | 94,900                                           | 300                         | 900                    | 4,400                            | 500                  | 17,100                                 | 175,200                         | 61,900                    | 156,500     | 46,200                   | 29,500    | .....        | 5,800    |
| 19..... | .....              | .....                        | 109,000                    | 7,100                          | .....           | .....                           | .....                                            | .....                       | .....                  | 300                              | 7,000                | .....                                  | .....                           | .....                     | 6,500       | .....                    | .....     | .....        | .....    |
| 20..... | 11,000             | 9,100                        | 123,300                    | 23,600                         | 35,400          | .....                           | 8,100                                            | .....                       | .....                  | 900                              | 32,200               | 3,100                                  | 99,500                          | 5,300                     | 33,800      | 8,000                    | 8,100     | .....        | .....    |
| 21..... | 107,200            | 121,400                      | 23,400                     | 141,600                        | 10,000          | 2,000                           | 52,100                                           | .....                       | .....                  | 1,400                            | 16,300               | 25,600                                 | 333,700                         | 77,500                    | 348,514     | 37,500                   | 66,195    | 9,870        | 1,170    |
| 22..... | .....              | 23,900                       | 163,600                    | 144,500                        | 11,700          | .....                           | 24,700                                           | .....                       | .....                  | .....                            | 16,700               | 4,200                                  | 129,700                         | .....                     | 100,000     | 11,700                   | 3,200     | .....        | .....    |
| 23..... | 51,600             | 167,600                      | 63,000                     | 240,400                        | 29,000          | .....                           | 66,800                                           | 6,100                       | 400                    | 13,700                           | 8,400                | 3,600                                  | 536,100                         | 22,500                    | 171,100     | 8,000                    | 22,800    | 3,300        | 1,700    |
| 24..... | 5,100              | 107,700                      | 69,800                     | 38,500                         | 8,900           | .....                           | 10,300                                           | 200                         | .....                  | 100                              | 14,400               | 6,500                                  | 302,400                         | 16,900                    | 109,700     | .....                    | 27,100    | .....        | 1,000    |
| 25..... | .....              | 57,500                       | .....                      | 73,500                         | 4,400           | 300                             | 15,400                                           | .....                       | 1,500                  | 8,400                            | .....                | 1,700                                  | 19,100                          | 2,520                     | .....       | .....                    | .....     | .....        | .....    |
|         | \$1,300,500        | \$3,668,700                  | \$4,087,100                | \$12,847,700                   | \$925,100       | \$3,200                         | \$874,300                                        | \$66,100                    | \$8,200                | \$42,100                         | \$339,400            | \$412,000                              | \$7,660,600                     | \$1,560,426               | \$5,882,037 | \$384,158                | \$439,399 | \$148,760    | \$11,600 |

|                 |             |             |             |              |           |         |           |          |         |          |           |           |             |             |             |           |           |           |          |
|-----------------|-------------|-------------|-------------|--------------|-----------|---------|-----------|----------|---------|----------|-----------|-----------|-------------|-------------|-------------|-----------|-----------|-----------|----------|
| <b>23</b> ..... | 51,600      | 167,600     | 63,000      | 240,400      | 29,000    | .....   | 66,800    | 6,100    | 400     | 13,700   | 8,400     | 3,600     | 536,100     | 22,500      | 171,100     | 8,000     | 22,800    | 3,300     | 1,700    |
| <b>24</b> ..... | 5,100       | 107,700     | 69,800      | 38,500       | 8,900     | .....   | 10,300    | 200      | .....   | 100      | 14,400    | 6,500     | 302,400     | 16,900      | 109,700     | .....     | 27,100    | .....     | 1,000    |
| <b>25</b> ..... | .....       | 57,500      | .....       | 73,500       | 4,400     | 300     | 15,400    | .....    | 1,500   | 8,400    | .....     | 1,700     | 19,100      | 2,520       | .....       | .....     | .....     | .....     | .....    |
|                 | \$1,300,500 | \$3,668,700 | \$4,087,100 | \$12,847,700 | \$925,100 | \$3,200 | \$874,300 | \$66,100 | \$8,200 | \$42,100 | \$339,400 | \$412,000 | \$7,660,600 | \$1,560,426 | \$5,382,057 | \$384,158 | \$439,399 | \$148,760 | \$11,600 |

**Total Valuation Personal Estate, 1889, less Bank Stock . . . . . \$186,450.00.**

**RECAPITULATION.**

|                                                                |              |         |
|----------------------------------------------------------------|--------------|---------|
| Western mortgages. ....                                        | \$1,300,500  | .032381 |
| Debts due more than is owed .....                              | 3,668,700    | .091348 |
| Cash on hand and deposits.....                                 | 4,087,100    | .101766 |
| Goods, wares, and merchandise.....                             | 12,847,700   | .319900 |
| Machinery, etc.....                                            | 925,100      | .023034 |
| Tools of trade exceeding \$300.....                            | 3,300        | .000082 |
| Income from profession, trade, or employment over \$2,000..... | 874,300      | .021760 |
| Income from ships in foreign trade.....                        | 66,100       | .001646 |
| Income from annuities .....                                    | 8,200        | .000204 |
| Vessels except in foreign trade .....                          | 42,100       | .001048 |
| Horses and vehicles.....                                       | 339,400      | .008450 |
| Household furniture exceeding \$1,000.....                     | 412,000      | .010258 |
| Shares in foreign corporations .....                           | 7,660,600    | .190744 |
| Railroad and other bonds { Domestic.....                       | 1,560,426    | .038855 |
| { Foreign.....                                                 | 5,382,057    | .134001 |
| Municipal or city bonds { Domestic.....                        | 384,158      | .009563 |
| { Foreign.....                                                 | 439,399      | .019408 |
| State bonds { Domestic.....                                    | 148,760      | .003404 |
| { Foreign.....                                                 | 11,600       | .000288 |
| Total .....                                                    | \$40,161,500 | 100%    |

*To His Honor the Mayor and to the City Council of the City of Boston: —*

The task assigned to this Commission is to examine into the system of taxation in force in the city of Boston, and to report whether any system more equitable and advantageous can be devised.

We address ourselves to the question as one of practical business.

That the question is not one of mere theoretical interest is shown by the following table: —

|      |                       | Annual expenditure<br>per capita. | Per capita share of<br>interest-bearing debt. |
|------|-----------------------|-----------------------------------|-----------------------------------------------|
| 1st. | City burden . . .     | \$37 75                           | \$123 40                                      |
| 2d.  | County burden . . .   | 68                                | . . .                                         |
| 3d.  | State burden . . .    | 2 61                              | 35                                            |
| 4th. | National burden . . . | 6 00                              | 13 63                                         |
|      | Total burden . . .    | <hr/> \$47 04                     | <hr/> \$137 38                                |

Thus it appears that the annual contribution for governmental expenses of all kinds by every head of a family of five persons is \$235.20, and that the liability by every head of a family to his share of government debts is \$686.90. It will be observed that nearly four-fifths of the burden of annual expenditures is the city's, and nearly ten-elevenths of the debt.

A reduction of tariff would make the proportion of local expenditure much larger.

Ninety per cent. of the expenditure, exclusive of national taxes, is the city's expenditure.

Therefore, the city is the *real party interested*, or the party

most interested. Ninety per cent. of the money she raises by taxation, she raises to spend within her own limits for her own purposes. The amounts raised for State and County purposes are comparatively of small consequence.

What is true of Boston is true of each town and city in the State. The great bulk of taxes raised by each is expended within its own limits for its own purposes.

The question is a local one.

#### THE POWERS OF THE CITY ARE LIMITED.

The city of Boston has not the right to tax whom and what she will. She can only tax what the State permits her to tax, and the power of the State is again limited, being subject to the paramount authority of the United States.

The United States has a paramount power of taxation which covers every citizen and every species of property throughout the length and breadth of all the States and Territories. The power of the United States is unlimited, with the single exception that the Constitution forbids the levying of a tax upon exports. The United States government has a right to tax real estate, incomes, personal property of every description, and to collect money by license fees; in short, an absolute paramount power to tax everything except exports.

It has the exclusive right to levy duties upon imported merchandise. It has the right to levy an excise or internal revenue tax upon beer, wine, and spirits, and exercises this right so fully as to practically exclude the State governments from any possible revenue from this source except by way of license fees from sellers. The revenue of the United States is now derived from duties on imported goods, and from the internal revenue tax upon wine, beer, spirits, and tobacco.

The State is expressly prohibited by the Constitution of the United States from levying any tax upon imported

goods. The State is practically excluded from deriving revenue by a tax on spirits and tobacco, because under its paramount authority the United States now fully taxes those articles. The State cannot tax any bonds of the United States, because of the principle long since established by political economists, and many years ago recognized by the highest judicial authority in the United States, namely, that "a tax upon the lender is a tax upon the borrower." The United States government cannot sell a taxed bond for as much as it could an untaxed bond; therefore the State cannot tax these bonds, because it would impair the borrowing power of the United States. Neither has the State power to levy such taxes upon goods and transportation as to create any restriction upon inter-state commerce. It cannot levy a duty upon any goods coming into this State from another State, nor can it levy any tax the burden of which, like a duty, would restrict the importation or exportation of merchandise or other property.

As the city of Boston is subordinate to the State, from which it derives all its powers, it cannot, of course, exercise any powers of taxation which the State itself does not possess. The city of Boston, therefore, cannot tax exports or imports, foreign or domestic. It cannot tax the bonds of the United States, though held by its own citizens. Wine, spirits, beer, and tobacco are already taxed. Consequently the city is restricted to the taxation of such real and personal property situate within its limits, or situate elsewhere and owned by its citizens, as the State of Massachusetts by law permits to be taxed.

### THE PRESENT LAW.

The law of the State under which the city acts is contained in the 11th, 12th, and 13th chapters of the Public Statutes. The first section of Chapter 11 authorizes a poll tax. The second section provides that all property, real and personal,

of the inhabitants of the State, not expressly exempted, shall be subject to taxation. Imported goods in the original package, and United States bonds, are necessarily exempted, as above stated. By the third section, real estate subject to taxation is defined as all land *within* the State. By section four, as construed by our Courts, personal property includes all personal property, and all evidences of personal property found within the Commonwealth, whether owned by residents or by others; and also includes all personal property out of the State owned by any inhabitant of the State. Taxation covers every species of personal property, and every form of evidence of personal property, except debts secured by mortgage upon real estate when the real estate is within the Commonwealth.

The tax upon all real estate within the city, and upon all personal property here, or owned by individuals and partners living here, including shares in corporations outside of the Commonwealth, is collected directly by the city. The Commonwealth of Massachusetts, however, itself collects the taxes upon all corporations within the State. The town or city in which the corporation is situated is allowed to tax the real estate and machinery of a corporation. The State collects of every corporation a tax upon the aggregate market value of all its shares, less the valuation of the real estate and machinery as made by the local assessors. The tax collected from corporations by the State is distributed by it to towns and cities in proportion to the number of shares held by the citizens of each town and city respectively. The State retains the tax on all shares belonging to non-residents.

The practice under these laws is for the assessors of the city to value annually all the real estate. This they do, upon the whole, very fairly.

The amount of taxable personal property is ascertained by the statements of the owners and the process of dooming.

The city's total receipts for the taxable year of 1889 (excluding borrowed money) amounted to . . . \$17,031,482

The city received from the corporation tax paid by the State, license fees, rents, interest, etc. . . . . 5,899,646

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and raised by direct levy . . . . . \*\$11,132,836  
 (\*including \$493,597.43, tax of preceding year).

Of this direct tax, three-fourths, in round numbers, was derived from real estate, and one-fourth from personal property.

The result of exempting *all* personal property from taxation would, even if the exemption does not increase the value of real estate,—if no economy is accomplished, and no new sources of revenue found, only be therefore to increase the rate of taxation to about \$17.31 per thousand, the assessed valuation of real estate now being about \$620,000,000.

#### THE SYSTEM A FAILURE.

That the present system of taxation in Massachusetts is inequitable, is assumed in the order providing for the appointment of this Commission, and the experience of our citizens year after year has made it a subject of general knowledge.

The system is condemned by the numerous followers of Mr. Henry George. It is condemned by every business man who thinks upon the matter. It is condemned by all the important newspapers in the country. The governments of the wealthiest States constantly call attention to its evils. It may be that the laboring man is selfish in his opinions. It may be that the property-owner is selfish in his. If so, it is remarkable that they agree. It may be that the officials are over-zealous and prejudiced. There is, however, one class of persons who study the subject as a matter of pure reason, and who are less likely to be influenced by prejudice

or selfish motives. These persons are the teachers in our universities and students of political economy who give their lives to the pursuit of knowledge, and who have neither official position nor wealth to gain or lose as a result of their opinions. There is no good reason for asserting that because a man studies a subject as an abstract question, his opinion is for that reason of less value. If a man who is as intelligent as his fellow-citizens studies political economy, his opinion on a question of taxation deserves for that reason more respect. Bearing this in mind, it is significant that political economists generally agree in condemning our system. The sentiment is spreading so rapidly that it seems almost needless to rehearse any of the facts or arguments which prove the justness of current opinion.

The burden of the tax upon personal property is an unreasonable one. The burden of a tax of \$15 per thousand on land is easier to bear than a tax of the same rate on evidences of personal property. Land cannot be borrowed by one nation of another nation, or even by one town of another. The value of land, and the rent or profit, is local. It has no universal price. The value of land here is not diminished by the supply of land in London and Amsterdam. The value of money and the interest or profit is universal. Money can be borrowed. Broadly speaking, all the money in the world forms one mass, which is constantly readjusting itself to a common level. The supply in London and Amsterdam affects the value of money here, so that the returns upon invested capital are about the same here as abroad. The return on a safe bond now has become  $3\frac{1}{2}$  per cent. to  $4\frac{1}{2}$  per cent., instead of 6 per cent. to  $7\frac{3}{10}$  per cent., as it was a few years since.

A tax of \$15 on an income of \$45 is an unreasonable burden. It is an exaction which no man will willingly suffer. Suppose every laboring man were forced to work without pay in the public service one hundred days in each year (one-third of his time). Suppose one-third of his

income was so required, would he be patient? The tax on personal property is harder to bear than a tax on land, because the burden of the tax is not so readily distributed.

The holder of a four per cent. bond of the C. B. & Q. R.R., *if he is taxed*, pays the tax out of his own pocket, because his being taxed is an accident. It is not a payment under the universal law of trade, but a piece of ill-luck, like having his pocket picked of the same sum. The risk of such accident is greater in Massachusetts than anywhere else, because our system is more ingenious, and greater vigilance is exercised. The risk in New York and in Chicago is much less. In Philadelphia there is no risk at all. In foreign countries taxes of this character vary from five to twelve per cent. upon income. If all civilized nations were able to and did tax the lender on every railroad bond in the world \$15 a thousand, there is no doubt that the C. B. & Q. R.R. would have to pay about one and one-half per cent. above the present average interest rates. While London and Berlin, New York and Philadelphia, stand ready to lend the C. B. & Q. R.R. at four per cent., that railroad will not pay five and one-half per cent. to a citizen of Massachusetts, who wants the extra one and one-half per cent., because he may be taxed.

The taxation of real estate on the other hand is not accidental. It is not a matter of accident which of two stores on Washington street will be exempt. It is not *certain*, as in the case of personal property, that at least half of them will be exempt, and at the same time *uncertain* which half it will be.

On the contrary, the tax is a known element in every transaction between the borrower (or tenant) of the real estate and the lender (or owner). The amount is known and fixed. If a few more stores are wanted they cannot be shipped from London by the next steamer.

One who lets a store on Washington street can exact the

tax, in addition to the rent on both land and building, from his tenant, who in turn collects it in the price of his goods. The landlord gets a certain net return, while the Massachusetts man who invests in personal property must do it in competition with the world of untaxed lenders.

A tax of \$15 per \$1,000 does not take one-third of the rent of land; but it does take one-third of the income of personal property.

### DOUBLE TAXATION.

The policy of our laws is to tax all property, personal as well as real. Moreover, in the attempt to guard against the possibility of any property escaping taxation, laws have been passed under which real estate in some cases and personal property in many cases is subject to double taxation. Generally speaking, the determination of the question whether real estate or personal property is to suffer a double tax depends not upon the character of the property itself, but upon the nature of the ownership of that property.

A few years ago one form of double taxation was abolished. Explanation can best be made by an example. A owns a piece of real estate worth five thousand dollars, and B has no property at all. The amount of taxable property, then, is five thousand dollars, being the property belonging to A. Under the law as it was prior to 1881, if A conveyed his real estate to B and took B's note for five thousand dollars, secured by a mortgage of the estate, B was taxed for five thousand dollars as the holder of the real estate, and A was taxed for another five thousand dollars as the holder of the note. The total amount of property had not increased, and yet the amount of the tax on that property was doubled, simply because the ownership of the property had changed.

So soon as this form of double taxation was understood the Legislature wisely put an end to it. In such cases the only actual property is the real estate, and the mortgage

deed simply indicates the quality and the extent of the interest which the mortgagor and the mortgagee have in that real estate. The property is not increased by the execution of a mortgage. A and B together own no more than A owned originally, but instead of A's having the sole and absolute title to the real estate, that title, after the sale to B and the mortgage back by him, is vested in B, subject to the contingency of being taken away from B and re-transferred to A.

Most closely allied to the now abolished double taxation of mortgaged real estate, is the still existing double taxation of mortgaged personal property. Suppose that A, instead of owning real estate, has a stock of merchandise worth five thousand dollars, and that B, as before, has no property at all. The amount of taxable property is then five thousand dollars. A, wishing to retire from business, and having confidence in B, who is young and enterprising, sells his stock of merchandise to B for five thousand dollars, and takes B's note for that amount, either secured by a mortgage on the merchandise or unsecured. As the law now stands, B is then taxed for the stock of merchandise belonging to him, and A is taxed for the note. A and B together own no more than they did before, but the amount of property, in the contemplation of the assessors, is doubled. B not only pays the tax assessed to him, but he is also obliged to pay a rate of interest on the note sufficient to enable A to receive a proper percentage after payment of the tax assessed upon him.

View the case from another stand-point. If A and B together own personal property worth five thousand dollars, and each has a bill of sale defining the nature and extent of his ownership in such property, no one pretends to claim that each should be taxed for the full amount of the property; but if the interest of A in such personal property is a contingent mortgage interest, then the property is doubly taxed to the extent of A's interest therein. In other words, the property is doubly taxed because the nature of

its ownership has changed. There is strange inconsistency in a scheme of taxation under which the amount of taxable property is increased by the making of a loan when the loan is secured by a mortgage of personal property or not secured at all, but is not increased when the loan is secured by a mortgage of real estate.

Again, corporate bonds are only formal notes running generally for a series of years. They may be secured by a mortgage or pledge of real estate or personal property or both, or they may be unsecured. Suppose the case of a corporation with a capital stock of a hundred thousand dollars, the whole of which has been invested in personal property. The corporation then wants another hundred thousand dollars with which to carry on its business. It finds X, who is ready to furnish the hundred thousand dollars, and take the bonds of the corporation therefor. Before this transaction the amount of taxable property of the corporation was the value of its personal property, plus the value of its franchise, as indicated by the premium, if any, at which its capital stock sold in the market, and X was taxable on his hundred thousand dollars of cash.

In such a case as this, there is, after the transaction, no more taxable property in contemplation of our laws than there was before. The corporation, having a hundred thousand dollars more in its treasury, and being indebted to the amount of a hundred thousand dollars, is taxed for the same amount as it was before it negotiated the loan, and the money-lender is taxable for his hundred thousand dollars of bonds instead of his hundred thousand dollars in cash.

If, however, an individual attempts to do the same work which the supposed corporation has done, — if an individual pays out a hundred thousand dollars for the same personal property, and then borrows a hundred thousand dollars with which to carry on his business, he will be taxed for the value of his investment, and will also be taxed on the hundred thousand dollars of cash which he has on deposit. No al-

lowance or deduction is made for his indebtedness. His bonds or notes will further be taxed to the person holding them. Hence, if an individual does what the supposed corporation did, he is punished for so doing by having a portion of his property doubly taxed. Individuals should not be subjected to burdens from which corporations are free.

If a man has one hundred thousand dollars in personal property and owes fifty thousand dollars, the real value of his property is but fifty thousand dollars. Fifty thousand dollars and not one hundred thousand dollars is the measure of his ability. That is all for which in justice he should be taxed. The ability of a man who has one hundred thousand dollars in personal property and owes fifty thousand dollars is not as great as the ability of a man who has one hundred thousand dollars and owes nothing. To tax the note in the hands of the holder and to tax the giver of the note for all his property, without making any deduction for his indebtedness, is a double tax which is entirely inconsistent with the principle of taxing every man according to his ability.

A note or bond for a thousand dollars is an evidence of property. It is a certificate that the holder of the note has parted with a thousand dollars, and that such thousand dollars is in the hands of somebody else. The tax may be laid either upon the man who has the money, or upon the man who is entitled to have the money returned to him at some future time. There is no good reason why the man who has the money, and the man who has it not, and who has a certificate that he has it not, should both be taxed.

It is strange that the idea was ever conceived that the amount of taxable property is increased by the making of a loan.

Suppose two beggars should go to a restaurant, and one of them should say to the proprietor, "I have twenty-five cents which I have borrowed from my friend here, and he has my I. O. U. for twenty-five cents; thus, you see, that I

have twenty-five cents and he has property to the amount of twenty-five cents; so that we two together have fifty cents' worth of property, and we want fifty cents worth of food." Such a claim would be as reasonable as it is to claim that the amount of property to be taxed increases when one man loans some of his property to another man. Under our tax system, whenever a loan is made, unless it is secured by a mortgage of real estate, the amount of taxable property is increased by the amount of the loan, and, when a debt is paid, the amount of taxable property is decreased by the amount so paid. If every man should pay his debts millions of taxable property would disappear.

To test the justice of the taxation of a piece of paper, such as a note, bond, or certificate of stock, we recommend the following experiment:—

Let the experimenter take a ten-dollar gold piece in his left hand. Let him write an I. O. U. ten dollars, and hold it in his right hand. Then exchange the two. Get the gold piece in the right hand, and the I. O. U. in the left.

Are you ten dollars richer by this process? Are you rich enough in consequence to pay two taxes instead of one?

Try the experiment with a friend. Let him hand you his I. O. U., and you hand him the gold. Are you two any richer? Do you two become able by this process to pay two taxes?

Call in a third man. Hand him your I. O. U. for ten dollars, and your neighbor's I. O. U. for ten dollars, as collateral. Are you three able, in consequence, to pay three taxes on the original ten dollars?

In this case the law, as it stands, gives the city three taxes on the ten dollars.

He who maintains that the present laws are just and equal must prove that the act of passing the I. O. U. from your right hand to your left creates an additional ten dollars.

He must show why a check for a trunk is worth as much as the trunk in addition to the value of the trunk itself.

Would not a tax on a trunk check be absurd?

A trunk check, if the trunk contains gold, and the check is in the form of a receipt and agreement to deliver, is taxable.

When the problem is reduced down to its simplest terms, it comes to this: After a tax has been levied upon all real estate and upon all tangible personal property, any tax upon the evidence of ownership of such real or personal property is double taxation. All taxation of bonds of corporations, whether organized under the laws of this or other States, is such double taxation. Moreover, as other States as well as Massachusetts tax all the property of the corporations organized by their authority, any tax imposed by this State upon the shares of stock in a foreign corporation is double taxation. When a resident of this State is taxed for the market value of his shares in a foreign corporation, the property, real and personal, which makes up that market value is doubly taxed. It is taxed in the State where the tangible property is; it is taxed in this State where the person who owns an interest in that tangible property lives. In fact, as the market value of corporate stock is made up in part of the corporate franchise, we tax our citizens for their ownership in franchises granted by other States.

There is another form of double taxation which affects a large amount of property. If a resident of this State owns personal property in another State, whether it be cattle, or machinery, or merchandise, he is, under the laws of this State, taxable for that property here, whether he has or has not any evidence of such ownership in writing. Inasmuch as other States as well as the State of Massachusetts tax such personal property within their own limits, the result is that such property is doubly taxed. On the other hand, if a resident of this State owns a piece of land in another State, he is not taxable here for such land. The excuse given for taxing a resident of this State for personal property actually in another State is that personal property, in contemplation of

law, follows the residence of its owner. That this excuse is simply a subterfuge is shown by the fact that when we find personal property in this State belonging to a resident in another State, we tax it here because it is here, and because it has not, in fact, followed the residence of its owner.

He who approves the present law must maintain that it is just to exempt real estate taxed in another State, and not just to exempt personal property taxed in another State.

A proposition to tax real estate outside of the Commonwealth would be looked upon as monstrous. The idea would not be tolerated an instant. Yet its exemption from taxation here cannot be justified except for reasons which are equally conclusive for the exemption of personal property.

The inconsistency of our laws may be shown in still another way. If, as has been stated, a person holds a deed of real estate situated in another State, he is not taxed here for such real estate. On the other hand, if he holds a certificate of stock of a corporation in another State, the property of which corporation consists in part of real estate and in part of personal estate, or wholly of real estate, he is taxed in this State for the full value of his interest therein.

Again, if a resident of this State owns personal property or corporate property consisting of personal and real estate situated in another State, he is taxable for such property in this State; but if a corporation, organized under the laws of another State, and owning real and personal, or simply personal property in that State, takes up its habitation in this State, such corporation is not taxed here for either the real or the personal estate situated in such other State. Some few foreign corporations have taken up their abode in this State. A great many have taken up their abode in the city of New York. If we should impose upon such corporations a tax like that which we impose upon an individual owning similar property, they would all leave the State before the next tax day.

The phraseology of the constitution of this State shows clearly that its framers did not intend to give to the General Court power to tax either real estate or personal property beyond the limits of the State. "Full power and authority is given and granted to the General Court . . . to impose and levy proportional and reasonable assessments, rates, and taxes upon all the inhabitants of and persons resident and estates lying *within the said Commonwealth*, and also to impose and levy reasonable duties and excises upon any produce, goods, wares, merchandise, and commodities whatsoever *brought into, produced, manufactured, or being within the same.*" (Constitution of Mass., Part Second, Chap. 1, Sect. 1, Art. IV.)

For many years after the adoption of the constitution there was no taxation either of real or personal property outside the limits of the State. It was not until 1835 that the Supreme Court rendered a decision upholding the taxation of a citizen of this State for shares owned by him in a corporation organized under the laws of the State of New York, and it was not until the time of our Civil War that the double taxation of personal property, as now carried on, was fully developed in practice and sustained by the Courts. The necessities of the times may have had some influence upon the course of judicial decision.

In spite of the foregoing provision of the constitution, it is provided by statute that

"Personal estate shall, for the purposes of taxation, include goods, chattels, money, and effects *wherever they are*, . . . public stocks and securities, stocks in turnpikes, bridges, and moneyed corporations, *within or without the State*," etc. (P. S., Chap. 11, Sect. 4.)

"*All personal estate, within or without the Commonwealth* shall be assessed to the owner," etc. (P. S., Chap. 11, Sect. 20.)

The ground on which the constitutionality of this statute is sustained is that personal property follows the *situs* of

its owner. This principle, however, is not followed out with reference to personal property in this State belonging to a resident in another State. In such case the personal property is taxed here because it is here, and because it has not followed the *situs* of its owner.

In the State of New York, the Court of Appeals being called upon to interpret a statute which read as follows: "All lands and personal estate within the State shall be subject to taxation," held that lands and personal estate within the State meant lands within the State, and personal estate within the State, and did not mean to include in any way personal property outside of the State. (*Hoyt v. Commissioners of Taxes*, 23 N. Y., 224.)

In rendering the decision of the Court Judge Comstock said, "The fundamental requisite of a well-adjusted system of taxation is that it be harmonious; but harmony does not exist unless the taxing power is exerted with reference exclusively either to the *situs* of the property or to the residence of the owner. Both rules cannot obtain unless we impute inconsistency to the law and oppression to the taxing power. Whichever of these rules is the true one, whichever we find to be founded in justice and the reason of things, it necessarily excludes the other."

As bearing upon the intent and true meaning of our constitution, it should further be noted that the rejected constitution of 1778 did not limit the taxation of estates to those lying within the State, but conferred upon the Legislature the general power to levy proportional and reasonable assessments, rates, and taxes.

If, on the ground that personal property follows the *situs* of its owner, it is, under the constitution, permissible to tax a resident of this State for personal property in another State, then the same principle demands that personal property within this State belonging to residents of other States should not be taxed here. As a general rule, the most reasonable, the cheapest, the surest, the best way to tax prop-

erty — personal as well as real — is to tax it where it actually is, without reference to the residence of its owner.

In the taxation of income derived from personal property there is also in this State an extraordinary injustice and inequality, which is the more surprising because the law in regard to taxing income appears to be both just and clear. That portion of section 4 of chapter 11 of the Public Statutes which declares what shall be considered as personal estate for the purposes of taxation, refers to income as follows : —

“The income from an annuity, from ships and vessels engaged in the foreign-carrying trade within the meaning of section eight, and so much of the income from a profession, trade, or employment, as exceeds the sum of two thousand dollars a year, and which has accrued to any person during the year ending on the first day of May of the year in which the tax is assessed, but no income shall be taxed which is derived from property subject to taxation.”

This phrase, obviously intended to guard against the taxation both of property and of the income derived from it, is similar to the constitutional provision in a sister State which reads as follows : —

“The General Assembly may also tax trades, professions, franchises, and incomes, provided that no income shall be taxed when the property from which the income is derived is taxed.”

A decision of our Supreme Court in the case of *Wilcox v. Middlesex*, 103 Mass. Reports, 544, furnishes the authority for the practice of the assessors in the city of Boston for taxing a merchant not only for his stock in trade, but also for a portion, if not the whole, of the income derived therefrom, on the ground that such income is derived partly from the merchandise, and partly from the industry and skill of its owner in using it.

It can hardly be supposed that the makers of our laws did not realize that some agency was necessary in order that income should be produced out of or from merchandise or

stock in trade. Merchandise lying idle does not yield anything. Human agency is necessary in order to make it produce any income, and the amount of income depends upon the amount of industry and skill exercised. Either, then, in such a case, all the income of a merchant should be taxed on the ground that it is not derived from property subject to taxation, or else none of it should be taxed on the ground that it is within the scope of the statute which says that no income shall be taxed which is derived from property subject to taxation.

It seems very clear that the intention of the Colonial laws was to make a distinction between the "merchant, shop-keeper, and factor," who were to be doomed for what they possessed, and the artisan and professional man, who were to be taxed upon what they earned. The merchant was to pay upon his possessions; the artisan upon his earnings or income.

It may be from the force of tradition, — it may be a survival of the true spirit of the law, or a reliance by the layman on what seems to him the plain and common-sense meaning of the statute, but certain it is that there are many men of character, capacity, and position, who frankly admit that while they submit their goods to taxation, they refuse to be taxed also on the income derived therefrom, "the law being to them as plain as any command in the decalogue."

The tax of one and one-half per cent. upon the income of a professional man, salaried man, or artisan, above the liberal exemption of two thousand dollars, is a very light one compared with the tax of one and one-half per cent. on the stock of goods of the merchant, which tax is equivalent in amount to a tax of from fifteen to thirty per cent. on the income therefrom. Not only does this vast disproportion exist, but the merchant is also taxed not only upon what he really has, but upon what he owes, since he is not allowed to deduct his debts from the amount of his taxable property. The imposition of a tax upon the income, derived from

property already taxed, is most vexatious; and, in a recent report made by a commission on taxation, composed of three eminent citizens of the State of Maine, of whom Judge Oliver G. Hall was chairman, they say that to tax capital, property, land, and also the income arising from the employment of the same, is intolerable as double taxation.

We have yet to learn of any other State in the Union, or of any civilized country, where such taxation is practised.

Acting under the authority of the decision in the case above cited, our assessors undertake to determine what portion of the income of a merchant is derived from his stock, and what portion is due to his skill and industry in its management. In an opinion given by the Corporation Counsel, Mr. J. B. Richardson, to the Board of Assessors, and printed by them under date of April 16, 1890, in reply to the inquiry whether the assessors may, under the decision in the case of *Wilcox v. Middlesex*, allow legal interest on capital, and exempt so much from the income tax, Mr. Richardson makes the following statement: "There is, however, no reason, so far as I can see, why you should deduct the amount of six per cent. any more than the amount of four, five, or seven per cent., or an amount arrived at in any other way. The point is in the practice of your Board, I suppose, to deduct such an amount as is or was derived from the stock itself, if you can find what that amount is, so as to enable you to assess a tax only upon income derived from skill, industry, etc." As neither the law, nor the assessors, nor the Corporation Counsel, nor the Court, furnish any clear guide to determine what portion of a merchant's income is derived from his property and what portion from his skill and industry, it is natural that the taxpayers should decide this question in accordance with their ideas of what is right and fair. The consequence is that in the taxation of such income here is both inequality and injustice.

There is no reason, why the income derived from taxed personal property should be taxed, which does not apply to

the income derived from taxed real estate. No attempt is made to violate common sense and common justice by taxing income derived from real property, and yet that income depends upon care and skill just as much as the income of a merchant depends upon care and skill.

We are of opinion, therefore, that the laws ought to be modified so that their execution shall conform to their apparent intent, and so that the income derived from taxed personal property shall not be taxed any more than the income derived from taxed real estate. To tax income which by the exercise of care and skill is derived from taxed personal estate is a peculiarly objectionable form of double taxation.

Real estate, situated within the Commonwealth, is not taxed twice. Real estate, situated without the Commonwealth, belonging to a citizen of Massachusetts, is not taxed here, or, in other words, is not taxed twice, unless the citizen's interest in such real estate is that of a stockholder in a corporation.

Personal property, whether within or without the State, is, to a large extent, taxed twice. If the laws in all the States were the same as ours, the total real and personal property of the country, as shown by the assessors' lists, would, in consequence of double taxation, far exceed the total wealth of the people. It is, therefore, misleading when the statement is made that a vast amount of personal property escapes taxation. Evidences of property are no more the thing itself than is the title-deed of real estate real property. All the property thus duplicated is taxed somewhere at some valuation, and it is an error to assume that the owners escape taxation thereon.

It is not true that a vast amount of personal property wholly escapes taxation. The more correct statement is, that a vast amount of personal property escapes the double taxation which our laws attempt to impose upon it.

The assessors' lists, in so far as property is taxed twice,

give a false and exaggerated estimate of wealth. If the combined property of A and B is, in contemplation of law and of the assessors, increased when A makes a loan to B, and if the evidence of title to property is taxed in addition to a tax on the property itself, the amount of property taxed must exceed the actual amount of property in existence. We believe that there is no inherent peculiar quality in personal property which justifies its subjection to a double tax.

The fact that the evidences of title to personal property are so readily negotiable has undoubtedly been instrumental in causing the taxation of such evidences in addition to the taxation of the property itself, but this fact does not furnish a good reason for the taxation of both. Negotiability of the evidence of title does not justify double taxation. If titles to real estate should be registered under the Australian system lately commended to the Legislature by a special message of the Governor, and should become as readily negotiable as bonds, no one would have the hardihood to claim that for that reason the title-deed or certificate as well as the property should be taxed.

Without going into the question as to whether it is expedient to tax personal property at all, we are clear that it is unwise and unjust to tax personal property more than once.

In considering the taxation of personal property, the distinction must be borne in mind between the thing itself, namely, machinery, stock of goods, supplies, furniture, jewels, pictures, money, etc., etc., and the certificate or other evidence of title thereto. We lay down these two propositions :—

*First.* When both the thing itself and the holder of the evidence of title therein are within this State, it is not expedient or just to impose a double tax thereon.

*Second.* Since a tax is laid on things personal which are within the limits of the State, notwithstanding the owner lives without the State, the power and propriety of other States doing the same thing should be recognized, and a

resident of this State should not be taxed here on account of his ownership in such things personal out of the State.

The inequalities, injustice, and inefficiency of our system of assessing personal property are sufficient to condemn it.

But there are reasons of policy as well.

In the present time, rapid and cheap transit and communication have brought the great rival competing cities here in the East close together. It no longer takes days to travel, or ship goods, or communicate. Time and space are annihilated. We are as much in close competition with New York and Philadelphia as if our boundaries touched.

In Philadelphia personal property is not doubly taxed; in New York it is seldom doubly taxed; in Boston the most strenuous efforts are made to collect a double tax upon it. Boston and Massachusetts are both avoided like a house guarded by a savage dog. It is true that one may not be bitten; but it is pleasanter to go where the dog is not so fierce.

Our system is a scarecrow, and a most efficient one.

Both capital and men are free in this country; they go where they please.

Enoch Ensley, of Tennessee, lays down this axiom: "Never tax anything that would be of value to your State that could and would run away, or that could or would come to you."

Untold millions of industrial capital has been warned away from Massachusetts, and driven out of it by our oppressive and unreasonable laws, and many a millionaire has feared to come here or left here for the same reason.

We all know that the value of real estate depends upon the capital employed on it. The more capital there is the greater the demand for labor. We should seek to attract capital. We should not continue to warn it off and drive it out.

Some States wisely attract corporate and individual wealth. Our State repels it.

The most fertile spot upon the face of the globe, if not

reached by capital, is worthless, while the accumulation of capital upon and around the peninsula on which is built the city of New York, gives to portions of that rocky waste a value amounting to hundreds of dollars per square foot. In our own State we see that the market-value of real estate rapidly rises in those towns to which capital is attracted by reason of a low rate of taxation, or easy-going assessors. These towns now draw capital away from other cities and towns within the State, and especially from their neighbors. The same principle applied throughout the State would attract capital from other States, and if all personal property were exempted from taxation in this State, in advance of the adoption of the reform by other States, the result undoubtedly would be that capital would flow in, and that there would be a general increase in the value of real estate owing to the greater demand for it and the greater amount of capital which would be placed upon it. In short, we believe that if the total tax levy should be laid upon real estate, and personal property wholly exempted from taxation, the State, as a whole, would be more prosperous; labor would be better employed, and better paid; and real estate, in spite of the greater burden laid upon it, would increase in value more rapidly than in the past, and would be a better investment than it is.

Many instances can be given of large corporations which have gone to Philadelphia or elsewhere, but which would have established themselves here had our laws been different.

The absence of great industrial establishments in Boston is evident to every one. There is many an empty site from which capital has fled.

Supposing an establishment employing \$1,000,000 of capital and 500 men. Which is worth most to the city of Boston, a tax on the million dollars, or the incidental advantages?

The tax would be \$14,000 we will say. We insist on that, and lose the company.

Suppose we let them come.

Five hundred tenements are occupied. Supposing each man to receive \$500 a year in wages ; \$250,000 is turned into the channels of trade by payments for provisions, groceries, clothing, rent, deposits in Savings Banks, etc.

The quick capital of the company is deposited in our banks, or loaned to our people.

Truckmen, longshoremen, expressmen, cab-drivers, and all the small tradesmen, find additional employment.

Many a retired man of fortune would like to bring his family to Boston ; many a rich nominal resident would like to remain here longer each year.

Our system keeps such people away, and although it is now no longer necessary to go each year into the country or out of the State on the first of May, the tradition survives, and people do go, partly, perhaps, because they will take no risk, partly from established custom under the necessities of our laws.

It is impossible to make strangers come here against their will. It is impossible to make people stay here beyond the first of May to be taxed. It cannot be done. Experience has proved it very plainly.

What does this mean ?

Ask the driver of the corner cab, the chore-man, the small grocer, the apothecary, all those who live on the expenditure of the wealthier classes, and they will tell you.

It means serious loss of business. On one street on the Back Bay there are some 400 houses. It has been estimated that the householders expend on this street alone between \$3,000,000 and \$4,000,000 yearly, or say \$300,000 a month.

Whether these people remain in town one, or two, or three months longer, more or less, is a question of expenditure of from \$300,000 to \$1,000,000 on this street alone, and of money paid in to the general wealth of Boston instead of elsewhere, of which cabmen, expressmen, carriers, choremen, mechanics, laborers, and so on would get their share.

Such are some of the advantages of relieving personal property from double taxation.

What are the objections?

It is said that the effect of relieving personal property from double taxation will be to raise the tax enormously upon real estate and make it a grievous burden.

The effect of the entire exemption of personal property would be to raise the tax at first to \$17.31 per thousand, as we have shown ; but the exemption of merchandise and other personal property would make this easy to bear.

The effect would be eventually to make the rate less than at present.

The establishment here of only a few large manufacturing establishments would shortly increase improvements in real estate to a value which would offset, and more than offset, the loss of personal property.

Moreover, there are ways of increasing the revenue of the city, and of decreasing her expenditures without harmful results.

It will be asked whether an exclusive real-estate tax will not fall heavily on the owners of small houses and prevent the increase of them?

Such is not the experience of Philadelphia, where there are more houses of small cost, owned by the occupant, than in any city in the civilized world.

In the city of Boston the sentiment in favor of the exemption of personal property is very strong and constantly growing, while in some of the other cities and towns the opposition to the reform would be strenuous. Discussion and investigation have done much to throw light upon and simplify the problem. If it is constitutional to pass a law allowing the city of Boston to raise money for its own expenditure (excluding county and State levies) by a tax upon real estate alone, the advantage of such a system could soon be developed, and, having been developed, other cities and towns would be eager to adopt the same system.

## MUNICIPAL BONDS.

Our laws contemplate the taxation of the municipal bonds of our cities and towns when held by our citizens. Trustees, guardians, executors, administrators, and institutions would naturally seek municipal bonds as an investment, but they are prevented from so doing, because being under public supervision they cannot escape the taxation imposed by our laws, while untaxed purchasers and foreigners can afford to buy the bonds upon a basis of interest return which, were the tax deducted from it, would make the income absurdly small. Hence the cities and towns in this Commonwealth are deprived of a large class of customers, whose competition could undoubtedly enable them to market their bonds at a lower rate of interest than they are now paying. It is the opinion of financiers that the city of Boston, whose credit is as good if not better than that of the city of New York, could borrow money at the same rate of interest, namely, one-half per cent. lower than is now paid upon our city loans, if its bonds were not subject to a tax when held by our own citizens. In consequence of the dread of the tax the city is obliged to pay one-half per cent. or one-eighth more interest while the tax realized is very small. The whole amount of town and city bonds, included in the sworn returns made to the assessors in the city of Boston for the year 1890, is three hundred and eighty-four thousand dollars, upon which the tax is less than five thousand dollars. Taking the bonded indebtedness of the city at fifty millions, one-half per cent. interest thereon would amount to two hundred and fifty thousand dollars. What is true in regard to the bonds of the city of Boston is true also of other cities and towns in the Commonwealth.

If our municipal bonds had been issued free of taxation, the net result to the cities and towns would have been better than it has been. The extra amount paid out for interest in consequence of the bonds being subject to taxation is greater than the amount actually realized from the tax.

## SUMMARY.

We are of opinion : —

*First.* That the attempt to tax municipal bonds results in a loss rather than in a gain to the cities and towns issuing such bonds.

*Second.* That a man should not be taxed for the gross amount of his property, but should only be taxed for the net amount of his property after deducting his indebtedness.

*Third.* That the income of individuals or partners, derived from property subject to taxation, should not be taxed, even though the amount of such income may have been increased by the exercise of skill and care.

*Fourth.* That all forms of double taxation should be abolished.

Respectfully submitted,

GEORGE G. CROCKER,

JONATHAN A. LANE,

WILLIAM MINOT, JR.,

*Commissioners.*

MARCH 25, 1891.









